

VZCZCXRO9620
RR RUEHAG RUEHBC RUEHDE RUEHDF RUEHIK RUEHKUK RUEHLZ RUEHROV
DE RUEHLB #1496/01 2941437
ZNR UUUUU ZZH
R 201437Z OCT 08
FM AMEMBASSY BEIRUT
TO RUEHC/SECSTATE WASHDC 3309
INFO RUEHEE/ARAB LEAGUE COLLECTIVE
RUCNMEM/EU MEMBER STATES COLLECTIVE
RHEHAAA/NSC WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUCPDOG/USDOC WASHDC

UNCLAS SECTION 01 OF 03 BEIRUT 001496

SENSITIVE

SIPDIS

STATE FOR NEA/ELA
STATE PASS USTR
TREASURY FOR MNUGENT AND SBLEIWEISS
USDOC FOR 4520/ITA/MAC/ONE
NSC FOR ABRAMS/RAMCHAND/YERGER/MCDERMOTT

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [PREL](#) [PGOV](#) [LE](#)

SUBJECT: LEBANON: REGULATOR SAYS BANKING SECTOR STRONG
DESPITE INTERNATIONAL CRISIS (ECONOMIC WEEK IN REVIEW, OCTOBER 14 -
19, 2008)

CONTENTS

-- BOEING INTERESTED IN LEBANON'S AVIATION MARKET
-- BANKING SECTOR STRONG DESPITE INTERNATIONAL CRISIS
-- NEXT WTO WORKING PARTY MEETING EXPECTED BY DECEMBER,
POST-ACCESSION ASSISTANCE WILL BE NEEDED
-- NO CONCRETE RESULTS FOLLOWING PRESIDENT'S TRIP TO SAUDI ARABIA
-- EDL FAILS TO GET LOWER ELECTRICITY PRICE FROM EGYPT
-- PHARMACEUTICAL COMPANIES FRUSTRATED WITH INCREASED COPYCAT
REGISTRATIONS
-- TELECOM MINISTER REITERATES SUPPORT FOR LIBAN TELECOM, CONTINUES
REFORM
-- EU HOLDS INTER-LEBANESE FORUM ON SMES
-- LEBANON FALLS IN EUROMONEY COUNTRY RISK SURVEY
-- ECONOMIST INTELLIGENCE UNIT EXPECTS FISCAL DEFICIT OF 9.7 PERCENT
OF GDP IN 2008

REGULATOR SAYS LEBANESE BANKING SECTOR STRONG
DESPITE INTERNATIONAL CRISIS

[12](#). (SBU) A senior source at the Banking Control Commission (BCC) --
an independent commission overseeing bank operations -- told us
October 15 that banks operating in Lebanon have not been adversely
affected by the international financial crisis. The source refuted
information that appeared in pro-opposition Al Akhbar on October 15
that insinuated three banks (Audi Bank, Intercontinental Bank, and
the Lebanese-Canadian Bank) may have sustained losses. The source
stressed that the BCC is closely monitoring on-site and off-site all
banks operating in Lebanon, and indicated there is no sign of losses
in these three banks or any other bank operating in Lebanon.

BOEING INTERESTED IN
LEBANON'S AVIATION MARKET

[11](#). (SBU) Boeing International Sales and Regional Directors, Edward
Schacle and Anthony Arvish, met with Ambassador October 14 for an
update on Boeing's interest in selling B787 to national aviation
carrier Middle East Airlines (MEA), as well as to some private
charter companies operating out of Beirut International Airport.
Schacle asked the Ambassador to make a pitch for Boeing with MEA
Chairman Mohammad El-Hout and Board members, and noted that he will
meet El Hout next week in Tunis during the Arab Air Carrier
Organization annual meeting, which brings together Arab aviation

companies and partners including Boeing, Airbus, and Bombardier.

NEXT WTO WORKING PARTY MEETING EXPECTED BY DECEMBER,
POST-ACCESSION ASSISTANCE WILL BE NEEDED

13. (SBU) On October 6, Advisor to Minister of Economy and Trade and POC on WTO issues Lama Oueijan expressed confidence in Lebanon's accession to the WTO in the near future, expecting the next Working Party meeting to take place by the end of November- early December. Oueijan noted that there were still bilateral demands from the U.S. for lower tariffs, and said that the EU had expressed its willingness to move forward on accession, and she hoped to hear the same from the U.S.

14. (SBU) According to Oueijan, the next challenge that Lebanon will face is not in terms of preparing for accession (the ministry is still working on necessary accession documents and public awareness), but post-accession regarding training ministries in dealing with notifications on Sanitary and Phytosanitary Standards (SPS) and Technical Barriers to Trade (TBT), as well as linking the inquiry points located at the various ministries. Oueijan also noted that during the past three years, the EU has allocated Euro 75 million for WTO and related technical assistance, and has already assisted Lebanon with drafting the Competition Law, establishing SPS inquiry points, and other related WTO-related assistance at various ministries, and not only at the Ministry of Economy and Trade.

NO CONCRETE MEASURES FOLLOWING
PRESIDENT'S TRIP TO SAUDI ARABIA

BEIRUT 00001496 002 OF 003

15. (SBU) Director General of Economic Affairs at the Presidential Palace Dr. Elie Assaf told us on October 14 that the visit of President Sleiman to Saudi Arabia "reinforced" bilateral relations and reasserted Saudi Arabia's "total support to Lebanon on the political, economic, and financial fronts." There were no concrete measures announced, and no update on the status of the February 2008 Saudi pledge to deposit an additional one billion dollars with the Central Bank of Lebanon, he said. Assaf described as "excellent" the meeting President Sleiman had at the Chamber of Commerce, encouraging Lebanese and Saudi investors to resume investments in Lebanon.

EDL FAILS TO GET LOWER ELECTRICITY
PRICE FROM EGYPT

16. (SBU) Ibrahim Menassah, senior advisor to Minister of Energy and Water (MEW) Alain Tabourian, told us October 16 that Chairman of national power utility, Electricite du Liban (EDL), Kamal Hayek, failed to reach an agreement with the Egyptian national power company to provide electricity to Lebanon. Hayek was told that reducing the price of electricity sold to Lebanon would require "a political decision." (Note: Egypt previously offered to sell Lebanon 150 megawatts of surplus electricity at a price indexed to the cost of heavy fuel, which both Hayek and Tabourian have told us they will not accept. End note.)

17. (SBU) Menassah added that Tabourian is considering "all options" to secure electricity for Lebanon at an "acceptable price." One possibility, Menassah said, would be to contract with offshore ships to purchase electricity they produce. (Note: This could be a new opportunity for U.S. firms in this industry. End note.) Tabourian was receptive to the idea, if the price was right, and said it could provide a temporary solution until a new power plant is built.

PHARMACEUTICAL COMPANIES FRUSTRATED WITH
INCREASED COPYCAT REGISTRATIONS

18. (SBU) In a meeting with Econ Officers and LES on October 7, representatives of American Pharmaceutical Research-based companies in Lebanon reiterated their frustration with the Lebanese Ministry

of Public Health and its failure to stop registering non-validated copies of innovative drugs that are still patented in the U.S. and the EU, and even accelerating the process of registration. They believe that the best that can be done is to work towards a moratorium on future registration of copycats and made a pitch for Embassy assistance in this regard. According to the companies' figures, 28 copycats were registered in 2007, up from only nine in 2006. In addition, all those present expressed their surprise at the 2008 Special 301's report upgrade of Lebanon to Watch List from Priority Watch List, given Lebanon's lack of progress and continued violation of intellectual property rights in the pharmaceutical sector.

TELECOM MINISTER REITERATES SUPPORT
FOR LIBAN TELECOM, CONTINUES REFORM

¶9. (SBU) Minister of Telecommunications (MOT) Gebran Bassil visited Ogero, the entity in charge of fixed lines and maintenance, on October 14, according to press reports. He reiterated his support for the creation of Liban Telecom, the new entity resulting from the merger of Ogero and the two directorates within the Ministry, which will hold the fixed lines and a third cellular license. (Note: Ogero's Director General Abdel Munin Youssef, a protege of PM Siniora, has been delaying the setting up of Liban Telecom, as he wants to chair this new entity. End note.) Bassil asked for "regular reports" about Ogero's activities.

¶10. (SBU) Meanwhile, a senior source at the Ministry told us October 17 that Bassil has taken measures to stop illegal traffic and interference in the network. To date, ten companies have seen their operations suspended because of illegal traffic. Bassil has also warned importers and users of illegal equipment, such as repeaters, jammers, SNG (used in pirated broadcasts), and VSATS (telecommunications via satellite) that they have until October 25 to stop using such equipment. This type of equipment affects coverage and service on the network and causes MOT revenue loss.

BEIRUT 00001496 003 OF 003

EU HOLDS INTER-LEBANESE
FORUM ON SMES

¶11. (U) Under the initiative of the European Commission Delegation to Lebanon, representatives of Lebanese political blocs in parliament and major political parties, professional associations, and independent experts met October 15-16 in Beirut to reach a common vision on appropriate actions to develop and strengthen small and medium enterprises, bolster entrepreneurship spirit and creativity, and encourage fair competition. This forum builds on the success of two previous rounds, one that discussed a broad socio-economic vision for Lebanon (May 2007) and the other on appropriate social policies for Lebanon (April 2008). These forums are a platform for legislators, major political parties, and private sector representatives to openly address socio-economic concerns, reaching an agreement on actions that need to be implemented.

LEBANON FALLS IN EUROMONEY
COUNTRY RISK SURVEY

¶12. (U) In its latest survey of country risk, Euromoney magazine ranked Lebanon 134 out of 186 countries worldwide and 15 out of 20 MENA countries, compared to 127 worldwide and 16 in the MENA region in the March 2008 survey. The survey evaluates individual country risk by assigning a weighting to nine categories that cover political risk, economic performance, debt indicators, debt in default or rescheduled debt, credit ratings, access to bank finance, access to short-term finance, access to capital markets, and discount on forfeiting. According to the survey, when adjusted for corruption, Lebanon's rank declines to 138. Lebanon's scores for individual categories were mixed, but showed little improvement in overall risk profile.

ECONOMIST INTELLIGENCE UNIT EXPECTS

FISCAL DEFICIT OF 9.7 PERCENT OF GDP IN 2008

¶13. (U) According to the Economist Intelligence Unit (EIU), the GOL's fiscal deficit is expected to reach 9.7 percent of GDP in 2008, slightly decreasing to 7.4 percent of GDP in 2009. The EIU identified the upcoming parliamentary elections, the raise in public sector wages, and maintaining energy subsidies as the main constraints to reducing government spending. The EIU does not believe that mobile and electricity privatization will take place before the end of 2009, especially since disagreements within the GOL on this issue persist.

SISON